

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SCEM-02 INT-08 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15

PRS-01 AF-10 NEA-10 EA-11 ACDA-19 SCI-06 DRC-01 /235 W

----- 030980

R 191627Z NOV 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8787

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL HAMBURG

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 16699

E.O. 11652: N/A

TAGS: ENGR, GW

SUBJECT: CONCERN ABOUT AN OIL SHORTAGE CONTINUES

TO GROW IN THE FRG

REF: A. BONN 16142, B. BONN 16598

1. SUMMARY. CHANCELLOR BRANDT'S ANNOUNCEMENT AT HIS
PRESS CONFERENCE ON NOVEMBER 16, THAT LEGAL MEASURES
TO REDUCE OIL CONSUMPTION WOULD BE NECESSARY, CAPPED
A WEEK OF EVENTS IN THE FEDERAL REPUBLIC DURING
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WHICH THE MOOD HAD BECOME ONE OF EXPECTING THE

INEVITABLE WHILE PESSIMISM OVER THE FUTURE ECONOMIC IMPLICATIONS OF A CONTINUED OIL SHORTAGE CONTINUED TO GROW. DEBATE CONTINUED WITHIN THE GOVERNMENT ON HOW TO MANAGE FURTHER CONSUMPTION REDUCTIONS. OTHER DEVELOPMENTS INCLUDED A FURTHER DECLINE IN THE FRANKFURT STOCK MARKET, SOME PESSIMISTIC INTERVIEWS WITH BUSINESSMEN, ESSO AND BP'S ANNOUNCEMENT OF 15-20 PERCENT CUTS IN DELIVERIES TO DISTRIBUTORS, AND A QUIET REJECTION BY THE FRG PRESS SPOKESMAN OF THE REPORTED LIBYAN DEMAND FOR WESTERN WEAPONS IN EXCHANGE FOR OIL. END SUMMARY.

2. ALTHOUGH THE FRG ECONOMICS MINISTRY ACKNOWLEDGED THAT THE INFORMAL GOVERNMENTAL ADVERTISING PROGRAM URGING CONSUMERS TO SAVE OIL HAD BEEN A FAILURE, THERE APPEARED TO BE SOME DISPUTE WITHIN THE GOVERNMENT ON HOW TO GUIDE FURTHER RESTRICTIONS, BEYOND A SUNDAY AND HOLIDAY DRIVING BAN AND LOWER SPEED LIMITS. THE DEBATE IS AMONG 1) INFORMAL ALLOCATION BY THE OIL COMPANIES, 2) ALLOCATION BY THE COMPANIES UNDER GOVERNMENT-SET GUIDELINES AND PRIORITIES AND 3) RATIONING. ONE ENERGY EXPERT IN THE ECONOMICS MINISTRY SAID PUBLICLY THAT HE PREFERRED TO RELY ON INDUSTRY MEASURES, SUCH AS REDUCED DELIVERIES TO DISTRIBUTORS, TO CONTROL CONSUMPTION RATHER THAN INSTITUTING A GOVERNMENTAL RATIONING PROGRAM
WHILE THE CHANCELLOR, ON NOVEMBER 16, SAID THAT RATIONING APPEARED UNLIKELY.

3. STOCK PRICES, WHICH HAD REGAINED SOME OF THEIR PREVIOUS OIL CRISIS LOSSES ON NOVEMBER 8 AND 9, DECLINED AGAIN THEREAFTER. THE FRANKFURTER ALLGEMEINE ZEITUNG STOCK INDEX FELL FROM 200.74 ON NOVEMBER 9 TO 188.40 ON NOVEMBER 15, OR BY 6.2 PERCENT. SINCE NOVEMBER 1, THE INDEX HAS DROPPED BY 8.3 PERCENT. LOSSES OF PETROCHEMICAL AND AUTOMOTIVE STOCKS SINCE NOVEMBER 1 WERE LARGER THAN THE AVERAGE; THE THREE LARGEST CHEMICAL FIRMS LOST 12-12.5 PERCENT, AND THE MAJOR AUTOMOTIVE FIRMS, BMW, DAIMLER BENZ AND LIMITED OFFICIAL USE

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VOLKSWAGEN LOST 19.6, 13.5 AND 13.9 PERCENT RESPECTIVELY.

4. IN AN INTERVIEW IN HANDELSBLATT, THE MAJOR ECONOMIC NEWSPAPER IN THE FRG, A LARGE CAR DEALER PAINTED A BLEAK PICTURE FOR FUTURE CAR SALES. IN ANOTHER INTERVIEW, THE CHAIRMAN OF THE BOARD OF THE PETROCHEMICAL FIRM, BASF, ADMITTED FRANKLY THAT THE

COMPANY WAS VULNERABLE TO AN OIL BOYCOTT SINCE ABOUT
40 PERCENT OF THEIR PRODUCTION IS BASED ON OIL
DISTILLATES ORIGINATING IN THE MIDDLE EAST WAR ZONE.
HE WAXED PESSIMISTIC ON SUBSTITUTION PROGRAMS, NOTING
THAT PRICE RELATIONSHIPS HINDERED STRAIGHT COAL
SUBSTITUTION. THE PROBLEM OF INCREASING PRICES,
PARTICULARLY THAT OF LIGHT HEATING OIL, WHICH ONE
BUSINESSMAN ESTIMATED WOULD INCREASE BY 100 PERCENT,
IS A COMMON THREAD RUNNING THROUGH INTERVIEWS WITH
REPRESENTATIVES OF ORGANIZATIONS IN DIFFERENT SECTORS
OF THE ECONOMY.

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5. THE GASOLINE SUPPLY PROBLEM RECEIVED MARKET EXPOSURE WHEN ESSO AND BP ANNOUNCED IMMEDIATE 15-20 PERCENT CUTS IN DELIVERIES TO THEIR SERVICE STATIONS. THESE ANNOUNCEMENTS WERE COUPLED WITH INSTRUCTIONS TO THE DEALERS TO CLOSE DURING CERTAIN HOURS AND SERVE ONLY REGULAR CUSTOMERS.

6. A SPOKESMAN FOR THE ELECTRICITY INDUSTRY, WHILE CLAIMING THERE WAS NO REASON TO PANIC OVER THE SUPPLY OF AVAILABLE ELECTRICITY SINCE THERE WAS EXCESS LIMITED OFFICIAL USE

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CAPACITY, WENT ON TO POINT OUT, HOWEVER, THAT SHOULD ONLY ONE-SEVENTH OF THE HOUSEHOLDS IN THE FRG PLUG IN THEIR ELECTRIC HEATERS TO COMPENSATE FOR THE CUTBACK IN OIL HEAT, THE EXCESS CAPACITY WOULD DISAPPEAR. HE TOO WAS PESSIMISTIC ABOUT SUBSTITUTION POSSIBILITIES, POINTING OUT THAT EVEN WITH THE LARGE INCREASE IN PRICES FOR LIGHT HEATING OIL, ELECTRIC HEAT WAS STILL MORE THAN TWICE AS EXPENSIVE AS OIL HEAT.

7. THE FRG PRESS OFFICE QUIETLY REJECTED THE LIBYAN DEMAND, EXPRESSED IN AN INTERVIEW WITH JALLUD APPEARING IN DER SPIEGEL (SEE REFTEL B), THAT THE WESTERN EUROPEAN COUNTRIES EXCHANGE OIL FOR WEAPONS. THIS REJECTION PASSED WITH ALMOST NO NOTICE AND THE PRESS CONTINUED TO REPORT ON DOMESTIC PROGRAMS IN OTHER COUNTRIES AND THE CHANCELLOR'S STRASBOURG SPEECH.
HILLENBRAND

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